

**Options from the Funding Subgroup
E-Scrap Workgroup
August 2006**

All the funding sources mentioned provide money and adopting any would be proactive for Missouri in lieu of any national initiatives. Also, all the options would have start up and implementation costs associated with them that will vary.

Manufacturing fee	
The manufacturer pays a fee for each product sold to a retailer in a state.	
Pro	Con
With fewer manufacturers than retailers, would have fewer sources from which to collect fee	If the cost can be passed onto the consumer, the consumer could pay more than the fee alone*
Consumers would not see the fee, or may see it as a benefit as they know the product will be recycled	Manufacturing has slim profit margins now, so they may not be able to pass on the fee to consumers and it would eventually cost the manufacturer
Have a product tracking system	Even though there is a tracking system, it is not as developed as needs to be to track where a manufacturer's product is sold.
Great Lakes regional commission dealing with e-scrap is considering this	Manufactures often do not know where a specific product is sold...it would be difficult for them to know what is sold in Missouri
	Manufacturers and retailers sales data is proprietary
	No one has adopted this yet
	Consumer may not care to pay for recycling up front
	Could have difficulty collecting fees (nationally and internationally)
	Difficult for the state to enforce
	Sales could go out of state, or to the Internet
	Stable, ethical manufacturers (those who charge the fee and pay it to the state) could be penalized compared to companies who ignore the mandate.

*Example from Phillips Electronics North American in following table. This is a very simple example that makes a major assumption that the manufacturer does not or cannot pass the recycling fee on when the product is sold to the retailer or distributor.

Costs	With a Manufacturer Fee	Point of Sale fee (ARF)
Manufacturer sale to retailer/distributor	\$1000	\$1000
Manufacturer fee(\$10)	\$10	\$0
Subtotal	\$1010	\$1000
Retail/distributor markup (25%)	\$252.50	\$250
Subtotal	\$1262.50	\$1250
Missouri sales tax (for example an average of 6%)	\$75.75	\$75
ARF (\$10)	\$0	\$10
Total price to consumer	\$1338.25	\$1335

Point of sale fee (ARF)	
The consumer pays a fee for recycling when a product is purchased (Advance Recycling Fee or ARF)	
Pro	Con
Consumer can pay less	Consumers can pay more
If a consumer pays for recycling upfront, the consumer will want to know that the money is being used for recycling. May stimulate sales to encourage recycling	Could force sales out of Missouri or to Internet (although California has required its fee to be paid for Internet purchases). Potentially puts local retailers at disadvantage
Easy to collect fee at purchase	Retailer opposition
Collect significant amount within the state and within the state's control (through Department of Revenue collection)	For greatest success needs to be on regional or national basis
Starts to create a balance between what needs to be recovered and new purchases	Cannot collect from remote sellers or from out of state sales
Some retailers may support or are considering	Of the states with e-scrap initiatives, only one (California) has ARF
	The Midwest Initiative does not include
	Would there be any incentives for manufacturers to reduce costs or make greener products?
	Cost of implementation of a state wide program and collection system
Recycling coupons: sell recycling coupon at time of electronic product purchase. Pro – paying a fee for recovery at a time when excited about buying product. Con – can lose the coupon. Instead of a coupon, a bar code could be placed on the product that is the coupon...it wouldn't be lost as easily.	

Producer responsibility (Product Stewardship)	
<p>Producer/manufacturer responsible to collect their product at the end of life. Currently done voluntarily by Dell (consumers can voluntarily bring in old products). If legislated, would become mandated.</p>	
Pro	Con
May encourage new companies	If a company goes out of business, it is not responsible for products sold
Encourages manufacturers to make more environmentally responsible products. Incentive to reduce the cost of recycling through design of the product has great potential to provide a least cost solution.	If just starting a manufacturing business, would not have to deal with any returned products for years, creating a competitive advantage for startups.
	As stated, does not address orphan products. Would have to include some provision, such as current businesses share in the recovery of returned products based on either current sales, or past records.
	Alone, this doesn't ensure proper recovery or recycling
	Would be difficult for the state of Missouri to enforce
	Every business...large and small, would have to deal with returned products – may be difficult for small businesses
	<p>The Midwest Initiative supports (Minnesota, Michigan, Illinois, Wisconsin, and Iowa)</p> <p>http://www.moea.state.mn.us/stewardship/electronicsmidwest.cfm</p>
	Retailers with own brands would create a good partnership with their manufacturers to recover products

End of life fee	
The electronic product owner pays a fee to a recycler (resource recovery fee) to handle recovery/recycling	
Pro	Con
Computers primarily used/disposed of by businesses...they are more likely to pay	Would individuals pay? Probably not if recycling not convenient
Easier in urban areas	More difficult in rural areas
Could spur recovery business development, in urban as well as rural areas.	A payment by owners at the time they want to get rid of old product
Starts a program that could morph into future federal efforts (an easier option that could be more likely to go national)	Recovery must be convenient or no one will use
Variations	
Soft ban: electronics can be taken to a landfill for disposal, but a higher fee is charged at the landfill than taking the electronic to a recovery/recycling facility	

Do nothing – let the market operate	
Pro	Con
Encourage innovation and new businesses	May not adequately address the issue the workgroup has decided needs to be addressed
	Materials that are currently not profitable to recovery will continue to collect

Sales Tax	
Pro	Con
Could include other materials or environmental issues such as Household Hazardous Waste	Regressive
	Difficult to pass at this time
	Would not sell as e-scrap tax alone

Use current funding sources – i.e. Solid Waste Fee, other environmental fees. Target efforts and current \$ to e-scrap
